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SERVICE DATE - DECEMBER 10, 2001

SURFACE TRANSPORTATION BOARD

DECISION

STB Docket No. 42052

UNION PACIFIC RAILROAD COMPANY — PETITION FOR DECLARATORY ORDER —
UNILATERALLY IMPOSED INTERCHANGE CHARGES

AGENCY: Surface Transportation Board.

ACTION: Notice of further proceedings.

SUMMARY: This proceeding was instituted by the Surface Transportation Board (Board) in response to a request for a declaratory order concerning ways in which rail carriers deal with interchange delays. However, because issues regarding interchange delays are usually addressed under the framework of the industry-wide Car Service and Car Hire Agreement (CS/CH Agreement) and Code of Car Service Rules/Code of Car Hire Rules (CS/CH Rules) administered by the Association of American Railroads (AAR), we are requesting that, before we take action, AAR convene a meeting with railroads, shippers, and other involved parties to discuss ways to address issues concerning delays in the interchange of railroad cars between railroads, and to develop proposals for addressing incidences of traffic delays associated with such interchange. We are further requesting that AAR file a report with the Board, describing the progress made at the meeting(s) and recommending how best to proceed to resolve these issues.

DATES: We request that AAR convene a meeting with railroads, shippers and other involved parties, as described herein, by February 8, 2001. Additional meetings may be held as determined by AAR and the involved parties. AAR's report, as described herein, is due by March 11, 2002.

ADDRESS: The original and 10 copies of AAR's report, referring to STB Docket No. 42052, should be sent to: Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001, ATTN: STB Docket No. 42052. AAR should also make a copy of its report available to all participants in the meeting, and any other involved parties upon request.

FOR FURTHER INFORMATION CONTACT: Beryl Gordon, (202) 565-1600. [TDD for the hearing impaired: 1-800-877-8339.]

SUPPLEMENTARY INFORMATION: By notice served and published June 13, 2000, 65 FR 37205, in response to a petition filed by Union Pacific Railroad Company (UP), a declaratory order proceeding was instituted by the Board under 5 U.S.C. 554(e) to address questions concerning the right of a rail carrier to impose penalty charges unilaterally against other rail carriers for delays in accepting cars in interchange. Comments were requested from interested parties.

As indicated in our notice, the controversy centers on "tariff" provisions issued by respondents Indiana Harbor Belt Railroad Company (Indiana Harbor Belt), Iowa Interstate Railroad, Ltd., and City of Tacoma, Tacoma Public Utilities, d/b/a Tacoma Rail and Tacoma

Beltline Railroad, pursuant to which penalty charges would be imposed when cars are not pulled from interchange within specified time limits. UP asserts that such interchange issues are subject to the CS/CH Agreement and CS/CH Rules, unless the rail carriers enter into alternative agreements. UP seeks a declaration from the Board that, under 49 U.S.C. 11121, a rail carrier may not unilaterally impose such charges on another carrier for delayed interchange of cars, either by “tariff” or otherwise, and that interchange-related charges imposed by one rail carrier on another must be either permitted by agreement of the carriers involved or specifically authorized by the Board.

Comments were received from Class I railroads, short line railroads, shippers, and labor interests.¹ A substantial number of these comments focused on the effect that a declaratory order might have on switching services in the vicinity of Chicago, IL. We have considered all of the comments carefully, and we find that there are significant issues to be resolved, which could have an impact on the important matter of fluidity throughout the rail system. Because we believe that resolution of these issues can best be achieved through the cooperation of all segments of the railroad industry, rather than a decision by the Board on a particular controversy, we are deferring final Board action to provide an opportunity for such private-sector discussions.

DISCUSSION AND CONCLUSIONS

Interchange of traffic among railroads is a fundamental operational component of the national railroad network. It is important that interchange be accomplished in an economical and efficient manner. The interchange of traffic is typically a straightforward and reasonably uniform process in which all carriers participate for the benefit of themselves and the shipping public.

Sometimes parties differ as to how such interchange can be accomplished to best meet the needs of all concerned. We can resolve these sorts of disputes, if the parties cannot do so themselves, and we will resolve the issues raised here if it is necessary for us to do so. However, the national railroad system functions best on the basis of good faith cooperation among all railroads, both large and small. If we were to rule against UP and find that carriers are not prohibited from unilaterally imposing interchange charges, the result could be a variety of charges, imposed pursuant to the actions of one carrier and the responses of another, that would not be conducive to the cooperation necessary for a seamless, efficient national rail network. The U.S. Department of Transportation filed comments suggesting that we urge the rail industry to meet and attempt to negotiate an effective and equitable resolution of these issues. We agree that broader industry discussion of those issues would be preferable. Therefore, in the spirit of cooperation, before we undertake to resolve this matter, we will first give those directly affected by the issues UP has raised, both in the Chicago area and elsewhere, an opportunity to establish workable solutions.

¹ Indiana Harbor Belt has moved to strike portions of UP’s reply, tendering, in the alternative, a surreply to what it asserts are new arguments presented in that reply. UP filed a reply to the motion to strike and, in the alternative, a surreply. Given our action here, we do not find good cause to strike the challenged material, nor will any party be prejudiced by leaving it (and UP’s and Indiana Harbor Belt’s surreplies) in the record.

The Board has successfully encouraged private-sector negotiation to resolve other difficult issues. For example, during implementation of the merger between UP and Southern Pacific Transportation Company and its affiliates,² UP was directed to convene meetings with shippers, involved railroads, and other interested parties to address concerns pertaining to the Houston Terminal, leading to a coordinated plan for improving the utilization of Houston area infrastructure.³ Then, during our review of the division of Conrail's assets, we directed CSX and Norfolk Southern to convene meetings with shippers, involved railroads, and other interested parties to discuss opportunities to improve the Buffalo, NY area rail infrastructure, which resulted in service improvements and better communication.⁴ Also, in an effort to address congestion in the Chicago, IL area, the individual railroads and AAR, at the urging of the Board and other interested parties, have been working together to improve rail operations in Chicago through the development of the Chicago Service Plan and the establishment of the Chicago Planning Group and the Chicago Transportation Coordination Office. Most recently, we directed railroads to negotiate, in accordance with a 1986 agreement, concerning disputes with private tank car owners about certain charges being levied by The Burlington Northern and Santa Fe Railway Company and UP.⁵

As signatories to the CS/CH Agreement, operating railroads, including Class I, short line, regional and terminal railroads, have agreed to use the CS/CH Rules as a means both to coordinate their operations and to resolve areas of dispute that arise. Accordingly, we are requesting AAR to convene a meeting with shippers, railroads, and other involved parties to discuss more fully the available means of improving coordination of interchange of traffic in Chicago and elsewhere, and file a report with the Board. The report should describe the results of the meeting and should present suggestions for the best ways to address issues concerning delays in interchange, including the appropriate use of the CS/CH Rules.⁶ AAR should explain if changes are needed to the terms and application of the CS/CH Rules, why they may be needed, how these changes may most effectively be implemented, and the possible timetable for implementing such changes. Once the report is filed, we will determine what further action is appropriate.

² The merger was approved by the Board in Union Pacific/Southern Pacific Merger, 1 S.T.B. 233 (1996), aff'd, Western Coal Traffic League v. STB, 169 F.3d 775 (D.C. Cir. 1999).

³ Joint Petition for Service Order, STB Service Order No. 1518 et al., (STB served Feb. 25, 1998), slip op. at 5.

⁴ CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company — Control and Operating Leases/Agreements — Conrail Inc. and Consolidated Rail Corporation (Buffalo Area Infrastructure), STB Finance Docket No. 33388 (Sub-No. 93) (STB served June 9, 2000).

⁵ North America Freight Car Association — Protest and Petition for Investigation — Tariff Publications of The Burlington Northern and Santa Fe Railway Company, et al., STB Docket No. 42060, et al. (STB served Oct. 18, 2001).

⁶ The CS/CH Rules include arbitration as a means of resolving disputes between participating carriers.

We encourage AAR to reach out to all involved parties⁷ and to work with them to achieve the common goal of improving interchange of cars in general and reducing the opportunity for delay of rail traffic in interchange, not only in the Chicago area, but across the Nation as well.

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. Indiana Harbor Belt's motion to strike is denied. The surreplies of Indiana Harbor Belt and UP are accepted.

2. AAR is requested to convene a meeting with railroads, shippers, and other involved parties to discuss issues concerning delays in the interchange of railroad cars, consistent with this decision, by February 8, 2002.

3. AAR should provide a report to the Board by March 11, 2002. AAR should also make a copy of its initial report available to all meeting participants, and any other involved parties upon request.

4. This decision is effective on December 10, 2001.

Decided: December 3, 2001.

By the Board, Chairman Morgan, Vice Chairman Clyburn, and Commissioner Burkes.

Vernon A. Williams
Secretary

⁷ Participation in the meetings should be open to large and small railroads, shippers and other involved parties.